



PUBLICATION 1345N

Nebraska Handbook

For

Electronic Filers of Individual Income Tax Returns

TAX YEAR 2009

BE SURE TO GET OTHER ELECTRONIC RETURN ORIGINATOR (ERO) MATERIALS FROM OUR WEB SITE. For up-to-date information about the Nebraska e-file program. You can download additional copies of this booklet, as well as other forms, files, and publications that will assist you with e-filing Nebraska returns for your clients. Visit www.revenue.ne.gov/electron/preparer.htm.

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Nebraska e-file

ELECTRONIC FILING CALENDAR

For Tax Period January 1, 2009, through December 31, 2009

Begin Software Developer and Transmitter Testing(Same as Internal Revenue Service)

- Nebraska software developers must be approved by the Internal Revenue Service (IRS) before final approval with the state.
- Transmitter Trading Partners must be accepted by the IRS prior to accessing the IRS Acknowledgment System.
- **EROs are not required to file an application or perform state acceptance testing.**

Begin Transmitting Returns to IRS/Nebraska Department of Revenue January 15, 2010

Last Date for Timely Filed ReturnsApril 15, 2010

Last Retransmission of Rejected Timely Filed Returns (Determined by IRS)

Last Date for Extended Filed Returns October 15, 2010

Last Retransmission of Rejected Extended Filed Returns (Determined by IRS)

NOTE: **These dates may be subject to change at any time.**

Chapter 1

OVERVIEW

The Nebraska Department of Revenue (Department) will accept electronically transmitted, tax year 2009 returns, through the Federal/State e-file program beginning **January 15, 2010**. **The Department will begin accepting electronically transmitted, tax year 2009 returns, through the NebFile program beginning January 2, 2010.** There is no prohibition for EROs to use NebFile to file their client's returns.

To be accepted as an ERO for Nebraska through the Federal/State e-file program, you will need to be accepted in the IRS electronic filing program and use software that has been tested and approved by both the IRS and the Department. No state application is required.

What Is New for Tax Year 2009

For Major 2009 Legislative Changes, see our [Web site](#).

- **SCHEDULE I, LINE 59 CHANGE.** Nebraska Schedule I, Adjustments to Income, will add a new permissible adjustment for Line 59, Other Adjustments Decreasing Federal AGI. This is for Nebraska government Build America Bonds taxed federally. Interest on Nebraska-based Build America Bonds remains "tax exempt" under Nebraska law.
- **NEBRASKA STANDARD DEDUCTION CHANGES.** Tax year 2009 'base' values are:
 - \$ 5,700 for single (File Status 1);
 - \$11,400 for married, filing jointly (File Status 2) and qualified widow(er) (File Status 5);
 - \$ 5,700 for married, filing separately (File Status 3); and
 - \$ 8,350 for head of household (File Status 4).

The tax year 2009 additional standard deduction for elderly/blind is:

\$1,100 for married, filing jointly or separately and qualified widow(er); and
\$1,400 for single and head of household.

- **PERSONAL EXEMPTION CREDIT CHANGE.** The Nebraska Personal Exemption Credit (Form 1040N, Line 19) for tax year 2009 will be \$118 (up from \$113 from tax year 2008).
- **MILITARY SPOUSE.** Rules for the spouse of an active duty servicemember have changed as a result of federal law changes. For details on how this impacts Nebraska tax returns, see our Web site for details; and, also access our information guide titled, Nebraska Income Tax for Military Servicemembers and Civilians Working With U.S. Forces in Combat Zones.
- **INTERNATIONAL ACH TRANSACTION (IAT) INDICATOR.** Form 1040N and Form 1040NS will include a new checkbox to indicate when a Direct Deposit to the taxpayer's bank or an Electronic Funds Withdrawal (EFW) from a taxpayer's bank is classified as an international transaction. **Nebraska will not process IAT transactions for tax year 2009.** Refunds that are requested to be paid by Direct Deposit, and whose ultimate destination is to a bank outside of the United States, will be converted to a paper check and mailed to the address on record. EFWs that request a debit from a bank located outside of the United States will be cancelled, and the taxpayer will be notified that they must remit their tax through another method.

- **MODERNIZED E-FILE (MeF).** Nebraska is participating in the 1040 MeF program for tax year 2009. The Department will post additional information for EROs on this new e-file program on the Preparer page of our Web site.
- **REFUNDABLE CHILD/DEPENDENT CARE CREDIT WORKSHEET CHANGE.** Line 3, Qualified Expenses, will no longer be captured. Form 2441N, Line 9 (which exists only on Form 2441N or in the Tax Booklet Worksheet used to compute the Nebraska credit) will be captured. Form 2441N, Line 9 is the State Percentage used in the calculation.
- **FORM CHANGES.** There are a number of minor form changes this year. For Legacy E-file, these mostly impact Form 1040N and Form 2441N. In part, these changes are to help prepare for the implementation of MeF. The Department is using fewer worksheets in the tax booklet instructions and where possible, has incorporated these additional lines and computations as sub-lines in the form line instructions. For Form 1040N, this impacts Line 16, Minimum or Other Tax and Line 20, Credit for Tax Paid to Another State. Form 2441N was changed to compute the 1040N Line 32 amount on the form itself, without having to go to a worksheet inside the booklet. Contact our Electronic Filing Coordination team at the numbers listed in Chapter 9 if you have any questions about these changes.
- **NEW ELECTRONIC FILING MANDATE LEGISLATION.** Beginning January 1, 2010, any ERO that prepares and files more than 250 individual income tax returns annually must file the returns electronically. Penalties may apply to tax preparers who do not file returns electronically as required. Additional tax programs will be integrated into the e-file mandate in following years. Information about the Department's procedures for implementing this mandate, such as a [taxpayer opt-out](#) and a waiver of the penalty provisions for good cause is available on our Web site. If you have any questions, please contact Garner Girthoffer at garner.girthoffer@nebraska.gov. A copy of the statute is available at [Neb. Rev. Stat. 77-1784](#).
- **NEBRASKA REJECT CODE CHANGES.**

QUICK REFERENCE CHANGE SUMMARY		
CODE	ACTION	DESCRIPTION
0171	Change	Enforces data integrity for Form 2441N, Line 9 (State Applicable Percentage) that was previously used for Form 2441N, Line 3.
0325	Add	Enforces data integrity for new Schedule I, Line 59h, (Sequence Number 0850) Other Adjustments Decreasing Worksheet – Build America Bonds.

Who is Eligible to E-file for Tax Year 2009?

The Department is committed to make e-file available to as many Nebraska taxpayers as possible. **All line entries on Form 1040N and associated schedules can be e-filed; however, some lines must have hardcopy documentation mailed in to substantiate certain credits.** (Restrictions still apply for non-calendar year returns, prior year returns, and amended returns). **Your software should alert you if a return is filed that requires a hardcopy form to be mailed to the Department. Confirm with your software provider whether or not they support all lines in the Nebraska return. See Chapter 3 for further information.**

Be aware that some software may have limitations or exclusions that are beyond the control of the Department. Check with your software provider if you have questions about exclusions.

Publications and Other E-file Information

In addition to this publication, you should also be familiar with the IRS *Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns*. It identifies the procedures and requirements for this program as specified by the IRS.

This document, *Nebraska Publication 1345N Nebraska Handbook for Electronic Filers of Individual Income Tax Returns*, provides information specific to the Department. Since most functions in the Federal/State E-File Program are the same, this handbook highlights the special features for Nebraska, and should be used in conjunction with IRS *Publication 1345*. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns put forth by the IRS are in effect for the Department. The Department recommends that all participants study IRS *Publication 1345* prior to reading the *Publication 1345N, Nebraska Handbook*. The detailed instructions on hardware, transmission procedures, policies, etc. provided by the IRS also apply to the Nebraska program.

Visit www.revenue.ne.gov for the latest news about the Department's electronic commerce programs and to download state forms, tables, and publications.

Preventing Errors on the State Return

The error rate on e-filed returns is very low; however, whether due to software or human errors, mistakes on state returns occur. The Department will fix all errors on e-filed returns before processing them in the mainframe system. **Any error requiring human intervention will delay the processing of your client's return. Serious errors may cause a return to be rejected or converted to paper.** Here are some tips to avoid and minimize these problems:

- Ensure that required ERO information such as name and telephone number has been correctly entered on the state return;
- Mail any hardcopy forms or documents needed to complete the return. See the section on eligibility above. Mail these as soon as you receive a state acknowledgment indicating the state return has been accepted. This information must be received by the Department within 15 working days from the date of the state acknowledgment; otherwise the credit in question will be disallowed.
- Be sure that your software supports a particular form or form line before preparing a return with this information.
- Always include the seven-digit High School District Code for resident returns and part-year resident returns when the taxpayer resides in the state as of December 31, 2009. Errors or omission of the High School District Code result in a letter mailed by the Department to the taxpayer for corrected information.
- If preparing schedules and worksheets, be cautious. These account for a majority of the errors found in state returns.
- Developers are notified when errors are discovered, but they do not always issue fixes immediately. Know how your developer issues updates and keep your software version current. It is important to always use the most current updates to your software for any "fixes" for these types of errors.

- Active duty servicemembers who are Nebraska residents must file as Nebraska residents. If Schedule III is completed as a nonresident return, it will be disallowed.
- A number of worksheets are used with the Nebraska return. Verify that all worksheets have been completed before submitting the return.

Report all problems with your software to your software provider. As users of this software, you are in the best position to recognize software-generated errors. The Department will work with your software provider to correct these errors; however, it is your responsibility to provide error-free returns. **Please remind your clients not to mail printed copies of their tax return to the Department unless directed to do so by a Department representative.**

Chapter 2

APPLICATION AND PARTICIPATION

Fed/State Program Tax Professional Participation

E-filing for Nebraska individual income tax returns is available to all tax professionals who have been accepted federally for participation in the Federal/State E-file program. For Nebraska purposes, there are three basic classifications of trading partners in this program: EROs, Transmitters, and Software Developers.

- An ERO enters tax returns on a computer using software that has been approved by both the IRS and the Department. These returns are intended for electronic transmission to the IRS. A company may be both an ERO and a Transmitter, or an ERO may have an arrangement with a third-party Transmitter to use their communications services.
- Transmitters directly transmit electronic returns to the IRS Service Center using IRS approved software, and retrieve both federal and state acknowledgments.
- Software Developers create and market the software that formats the electronic returns and allows the data to be transmitted via computers. All Software Developers in the Federal/State E-file program must complete rigorous testing with the IRS. Software Developers who create software for Nebraska e-file returns must also complete testing and be approved by the state.

How Federal/State E-File Works

EROs and Transmitters file both federal and state returns to the IRS. When transmitted together, the IRS, after acknowledging the acceptance of the federal return, will make the state return available for retrieval by the state. **State returns are not retrievable from the IRS until the day following the IRS acceptance so your state acknowledgment will be at least one day later than the federal.** After retrieval, the state return will be subjected to preliminary editing to ensure the return can be processed. If so, the return is uploaded to the state's mainframe computer for further processing. If not, the ERO is notified with a Reject Code on the state acknowledgment, indicating it must be corrected and then re-transmitted, or converted to paper. Upon receipt from the IRS, the Department posts a state acknowledgment for each return retrieved. Transmitters usually retrieve the state acknowledgments within five working days from the posting of the IRS Acknowledgment. Check with the IRS to determine the last date they will accept electronically filed returns.

To take part in the Federal/State E-file Program, participants must file a Federal Form 8633, Application to Participate in the Electronic Filing Program, with the IRS, and meet IRS testing and suitability checks. To participate in the Nebraska e-file program, please comply with the following procedures, depending on your type of participation:

EROs

Nebraska EROs must be officially accepted by the IRS. **Acceptance into the federal program means automatic acceptance into the Nebraska program.** All EROs accepted in the federal program are assigned an Electronic Filing Identification Number (EFIN) by the IRS. Your EFIN is also used by the Department to identify you.

EROs are required to use software approved by the Department. These software products were approved for tax year 2008 e-file.

- 2nd Story Software TaxACT
- CCH ProSystem FX
- CCH SFS - TaxWise
- CS Professional Suite – UltraTax CS
- Drake – Drake Tax Software
- H & R Block - TPS - Professional Product (not for sale)
- H&R Block DBA TaxWorks – GreatTax, TaxWorks, TaxOne
- Intuit – Lacerte
- Intuit – ProSeries
- Jackson Hewitt Technology - Profiler (not for sale)
- Lamson Tech - EXELTAX
- Liberty Tax Service - LibTax
- NTS Services Corp. – TaxVision
- On-Line Taxes, Inc. - OLT PRO and OLT PRO Desktop
- Petz Enterprises Inc. – CrossLink
- Rhodes Computer Services TaxSlayer Pro
- Tax\$imple, Inc. Tax\$imple - Professional
- Taxsoftware.com
- Taxware Systems Inc. – WinTax
- Thomsen Tax and Accounting – Gosystem Tax RS
- UTS DBA CCH-SFS – ATX - MAX

Transmitters

Transmitters of Nebraska returns must register with the IRS. Nebraska does not license or require Transmitters to test with the Department. The IRS assigns an Electronic Transmitter Identification Number (ETIN) to Transmitters accepted in the federal program. This ETIN is also used by the Department to identify Transmitters.

Software Developers

As a Software Developer you must:

1. Successfully complete testing procedures with the IRS.
2. Complete, sign, and submit the Nebraska Software Developer Information Sheet (available on the Developer's page of our Web site). **Note: The Department will assign you a Software License Number, which must be included in all test and production returns.**

3. Successfully complete testing procedures with the Department. To begin testing with Nebraska, you will need to receive the Nebraska Publication 1346N, Information for Software Developers, and the Nebraska E-file Test Package, Publication 1436N. State testing can run concurrently with IRS testing if the developer wishes. The state test data will be retrieved from the IRS and examined by the Department. All Nebraska test scenarios must be correctly formatted and approved by the Department before acceptance is given.

To begin processing “live” data, software developers must successfully complete the IRS PATS (Participants Acceptance Testing System) and testing with the Department. **Your Software License Number will not be activated until you have completed testing and received approval. Returns received with invalid Software License Numbers will be rejected.**

Chapter 3

CONTENTS OF THE E-RETURN

The Electronic Return

TRANSMITTED AS PART OF THE STATE ELECTRONIC RETURN

The Nebraska portion of an electronic return will consist of state return data transmitted electronically and supporting IRS electronic forms, schedules, and documents. The Nebraska electronic return consists of:

- Form 1040N - Nebraska Individual Income Tax Return, *with or without* —
 - Nebraska Schedule I - Nebraska Adjustments to Income
 - Nebraska Schedule II - Credit for Tax Paid to Another State (maximum 5 occurrences)
 - Nebraska Schedule III - Computation of Nebraska Tax for Nonresidents and Partial-year Residents
 - Nebraska Minimum or Other Tax Worksheet
 - Schedule I, Line 58 Other Adjustments Worksheet
- Form 2441N - Nebraska Child and Dependent Care Expenses;
- Form 1040NS - Nebraska Resident Income Tax Return for Single and Joint Filers with no dependents; and
- The attached federal return, including federal forms and schedules, and all Forms W-2 and 1099 showing Nebraska withholding.

The Non-Electronic Return

RETAINED BY THE ERO

Non-electronic portions of the Nebraska return that must be retained for a period of three years from the due date by the ERO include the following:

- State copies of all withholding documentation (except Form 14N, and 1099-MISC which must be mailed);
- Nebraska Form 2441N (if Form 1040N, Line 32 is reported);
- Nebraska Form 2210N (if Form 1040N, Line 36 penalty is reported);
- Nebraska Form NOL (if included in Line 58, Other Adjustments Decreasing AGI); and
- All federal forms and schedules; and other states' returns needed to substantiate the Nebraska return. These consist of any federal forms or other states' forms normally attached to a paper Nebraska return, including Forms 6251, 4972, and 5329 when used to substantiate Form 1040N, Line 16, and Form 2441 when the state Form 2441N is not used. Please refer to the Nebraska Tax Booklet instructions when determining which forms must be retained. These consist of any (non-electronic) federal or other state forms normally attached to a paper Nebraska return.

The Department may require that the ERO provide copies or originals of this documentation upon request. If an ERO ceases business operations, they still have the obligation to retain and make available the records for three years or provide all records to the Department. If the business is sold, the records must be passed on and retained by the new owner(s).

EROs must retain the original documents unless they are exempted when the return is prepared at a military base, VITA, or TCE site; or if the ERO is filing his or her own return.

If either of the two conditions above is true, the ERO has the option of either retaining these documents, or mailing them to the Department attached to Form 8453N. **Note: If the site is a for-profit business also submitting returns for the general public, the three-year retention rule remains in force.**

MAILED TO THE NEBRASKA DEPARTMENT OF REVENUE

Prior to tax year 2008, several lines on the Nebraska Form 1040N were restricted from e-file because the documents and forms needed to substantiate these 1040N lines were not supported in our electronic records. These returns can now be e-filed. Any needed documents must be mailed to the Department before the return will be processed. These documents include:

- Form 1099-MISC (only if Nebraska withholding is shown);
- Form 14N, Statement of Nebraska Income Tax Withheld For Nonresidents (do not send Forms W-2);
- Form 1310N, Nebraska Refund for Deceased Taxpayers
 - If filing as a personal representative, attach proof of appointment,
 - All other persons, attach proof of death.
- Form CDN, Nebraska Community Development Assistance Act Credit Computation and Form 1099NTC;
- Nebraska Tax Incentive Credit Documentation;
- Statement for Nebraska Endowment Credit;
- Form NFC, Statement of Nebraska Financial Institution Tax Credit;
- Form 1099 BFC, Certificate for Beginning Farmer Credit; and
- Form 4797N, Special Capital Gains Election and Computation.

Forms 1310N, CDN, 3800N, and 4797N are available as fill-in PDFs at:
www.revenue.ne.gov/tax/current/current.htm.

These forms and documents must be mailed to the Department using Form 8453N as a cover sheet. Form 8453N will contain checkboxes to identify which forms are attached. **See Chapter 6 for more information about using Form 8453N.**

Mail Form 8453N with attachments to:

**Nebraska Department of Revenue
P.O. Box 98911
Lincoln, NE 68509-8911**

Chapter 4

ACKNOWLEDGMENTS

Overview

The IRS posts Nebraska Acknowledgments in the federal acknowledgment system. Transmitters should be able to pick up their state acknowledgments at the same time they get their federal acknowledgments.

NOTE: The state acknowledgments picked up will be for different transmission dates than the federal acknowledgments. **Your Nebraska Acknowledgments are normally posted on the second state business day following IRS acceptance of the federal return.** If the IRS acceptance date is on a weekend or holiday, the Nebraska Acknowledgment will be posted on the following business day.

Do not assume that a federal acknowledgment by itself is a guarantee of receipt of the state return by the Department. It is very important that you get your state acknowledgments to be certain your state returns were received.

Role of the Transmitter Trading Partner

- Since the Federal/State E-file program is essentially an IRS program, Transmitters must follow all IRS-required deadlines, transmitting procedures, communication requirements, and technical specifications.
- Transmitters who transmit Nebraska returns for an ERO are required to supply the ERO with the Nebraska Acknowledgment within three working days of federal acceptance. **Because the state acknowledgment could contain a state reject code, it is critical that the Transmitter deliver it in a timely manner.**
- All Transmitter trading partners are required to test with the IRS at the appropriate processing site. No testing is required for the state.

Role of the ERO Trading Partner

- EROs must confirm that they, their software vendor, or their third-party transmitter/trading partner has the capability of transmitting Nebraska filing data along with the federal data to the appropriate IRS processing center.
- EROs must confirm that they, their software vendor, or their third-party transmitter/trading partner have the capability to download and provide both Federal and state acknowledgments.

The ERO must bear responsibility for verification that the Nebraska return has been properly prepared, accepted by the IRS, and accepted by the Department.

Information Provided in the Nebraska Acknowledgment

The Nebraska Acknowledgment informs the Transmitter that the state has retrieved a particular Nebraska return from the IRS, and also indicates if errors exist on the return causing it to be rejected by the state. The state bundles acknowledgments by Transmitter ETIN, which are imbedded in their corresponding original state returns in the Return Sequence Number (RSN).

Nebraska supports four Acceptance Codes. These are: "A" = Accepted; "R" = Rejected; "D" = Duplicate; and "E" = Exception Return.

- The "A" Acceptance Code indicates that the Department has received the return and it has passed the E-filing program's initial edits. It does not indicate that the return has been completely processed. After e-filed returns have been initially edited and the "A" Acceptance acknowledgment is sent, returns are further edited in the state's mainframe processing systems for other error conditions that could delay processing of the return. An Acceptance acknowledgment does not ensure that the refund will be paid as requested.
- The "R" Acceptance Code indicates that the entire return has been rejected. The return must be corrected and re-transmitted as a State Only return, or filed on paper. Each Rejection acknowledgment will include one or more records identifying error conditions. If a return is rejected by the IRS and later re-transmitted, any corrections made to the federal return must be carried over into the state return.
- The "D" Acceptance Code indicates that the return has been rejected because it is a duplicate SSN and a return is already on file for that taxpayer.
- The "E" Acceptance Code indicates that the Department has received a return marked by the IRS as "E" for Exception Return processing, and has passed the E-filing program's initial edits. Like the "A" code, it does not indicate that the return has been completely processed, as it will be further edited in mainframe processing and treated in the same manner.

The Nebraska Acknowledgment System has the ability to report up to 96 state Reject Codes for any given return. This should allow the ERO to fix all errors in one attempt when submitting a State Only correction return.

Nebraska Reject Codes

Reject Codes can be issued with either Federal or state acknowledgments. These are separate codes. Nebraska Reject Codes are available for download from the Information for Tax Preparer's Page on our Web site.

- **Reject Codes issued by the IRS in the federal acknowledgment:** These normally point out errors in the federal return; however, certain errors on the state return can cause Reject Codes issued by the IRS. Reject codes issued by the IRS edits and pertaining to state returns are included in IRS Publication 1345. If a federal return is rejected due to errors, the accompanying state return will also be rejected. If a state tax return is rejected by the IRS due to errors, the federal return will also be rejected. If the error is one that can be corrected and the record processed, both return records may be re-transmitted to the IRS.
- **Reject Codes issued by the Nebraska Department of Revenue in the state acknowledgment:** The Nebraska e-file system issues state reject codes. If the software used supports this option ("state only"), a state return that has been rejected can be fixed and re-sent to the state. As an ERO, your software should be set up with the ability to diagnose these codes.

If not, a separate document has been posted on the Preparer's page of the Department's [Web site](#), listing Nebraska reject codes with an explanation of the error. We encourage you to download this document.

State-Only Transmissions

EROs and Transmitters typically send both federal and state returns at the same time; however, if the software supports it, it is possible to send state returns without a federal return attached. Be sure to check with your software provider to see if they support this option. **Nebraska accepts State-Only returns, and encourages EROs to take advantage of this option to re-transmit state returns that have been rejected, to transmit state returns for taxpayers paying taxes in more than one state, or in any other situations where a Nebraska return can be filed by itself.** Amended returns must be filed on paper. When a state return is transmitted as State-Only, it contains a copy of a federal record, but it is not intended for the IRS.

Missing Acknowledgments

Acknowledgments are consistently created for all Nebraska returns downloaded from the IRS, and then transmitted to the IRS for delivery to the Transmitter Trading Partner's mailbox. Occasionally, a problem with this process can occur.

- **If you are an ERO** and use a third party Transmitter, and you have not been provided a Nebraska Acknowledgment within three days of receipt of your federal acknowledgment (when state and federal were transmitted together), **report this to your Transmitter Trading Partner.** The Department will work with your Transmitter to resolve the problem.
- **If you are a Transmitter** and you are experiencing a problem related to IRS connection, contact your IRS representative. When calling, have your ETIN available.

Conversions to Paper Returns

It is best to electronically re-submit a state return that is in error as a State-Only transmission, rather than filing it on paper. If your software does not support re-transmission of a rejected state return, or if you prefer to file it as a paper return, the procedure for conversion to paper is as follows:

1. Correct the portion of the return that has been indicated by the Reject Code as being in error.
2. Print a copy of the electronic return from your software (or prepare one by hand) and have the taxpayer sign it, and attach all withholding documentation to it.
3. Attach all additional state and federal forms, schedules, and any other documentation needed to substantiate the state return.
4. Mail it to:
Nebraska Department of Revenue
c/o Processing Resolution
P. O. Box 98903
Lincoln, NE 68509-8903

Repeated errors that generate rejects or require conversion of state returns to paper usually indicates a software problem that the ERO must resolve with their software developer. It is the responsibility of the ERO to originate error-free returns, and repeated errors could cause the Nebraska Department of Revenue to rescind the electronic filing privileges of an ERO. The Department will contact and work with the ERO and their software developer to resolve problems prior to any decision to rescind electronic filing privileges.

Chapter 5

ELECTRONIC REFUNDS AND PAYMENTS

General Rules About Electronic Banking

Electronic banking refers to refunds deposited by Direct Deposit; or balance dues withdrawn by electronic funds withdrawal (EFW) or through the Department's E-pay system. Rules and procedures for these electronic banking options and for credit card payments are covered below. The Department will attempt to honor all electronic banking requests, but incorrect or missing banking information is a frequent problem. To assure that the Direct Deposit or electronic payment works correctly, please follow these rules:

- Include valid information within the Nebraska electronic return including, taxpayer bank Routing Transit Number, Account Number, Type of Account, (and Debit Date and Debit Amount if EFW is used). Confirm this with the taxpayer.
- Do not change or close bank accounts between the time a taxpayer files their tax return and the date their electronic banking request is processed. Invalid or missing Direct Deposit or Electronic Funds Withdrawal information will cause the request to be canceled.
- Before authorizing a Direct Deposit or Electronic Funds Withdrawal, the ERO should confirm that the taxpayer's financial institution is able to process ACH (Automated Clearing House) transactions.
- The Department will not process banking requests when the Form 1040N or Form 1040NS International ACH Transaction (IAT) checkbox is checked. The ERO is required to ask the taxpayer if the banking institution that has been designated is located outside of the United States. Refunds that are requested to be paid by Direct Deposit and whose ultimate destination is to a bank outside of the U.S. will be converted to a paper check and mailed to the address on record. EFWs that request a debit from a bank located outside of the U.S. will be cancelled, and the taxpayer will be notified that they must remit their tax through another method.

EROs must stress to their clients the importance of supplying correct banking information. Information submitted in the state return cannot be changed once a return has been received by the Department.

The Nebraska Acknowledgment only indicates receipt of the return at the Nebraska Department of Revenue. It does not indicate proof that a refund check will be issued, a Direct Deposit or Electronic Funds Withdrawal will be honored, or the expected refund amount will be the actual refund amount. The Nebraska Acknowledgment *does* indicate whether a Direct Deposit, EFW, or a refund check *was requested* on the state electronic return.

Refund Options

Taxpayers can expect to receive their refund check within approximately seven to 21 days from receipt of the acknowledgment **if the tax return is electronically filed without errors and does not require forms or documents to be mailed.** Taxpayers using the Direct Deposit option on an electronic return can expect to have their refund deposited into their bank account within approximately seven to ten days

from the date of the state acknowledgment **if the tax return is electronically filed without errors and does not require forms or documents to be mailed.** Conditions may exist when processing a refund return that requires the Department to hold and review the return to ensure its accuracy and validity. This may result in a delay in issuing the refund.

Taxpayers may elect to have their tax year 2009 refund credited in one of the following ways:

- Deposited electronically into their financial institution account (Direct Deposit);
- Applied as an estimated payment to next year's tax liability;
- Donation of all or a portion of the overpayment to the Wildlife Conservation Fund or Nebraska Campaign Finance Limitation Cash Fund; or
- Sent as a paper refund check.

Balance Due Options

If the taxpayer's return is a balance due return, they may elect to remit their tax in one of the following ways:

- Initiate a payment on the Department's Web site using the e-pay system. There are many benefits to using this system to arrange electronic payments. Check our Web site for details;
- Request through the electronic return that funds be debited electronically from their financial institution account (EFW);
- Initiate a payment by Credit Card through Official Payments Corporation (OPC); or
- Mail in a check or money order attached to a Nebraska 1040N-V Payment Voucher.

Direct Deposit Instructions

State refunds by Direct Deposit are electronically transferred to **a single** financial institution account as indicated on the electronic filing state record. The financial institution accounts into which the Nebraska refund and the IRS refund are deposited may be different. Therefore, the state and federal Routing Transit Numbers and Deposit Account Numbers could be different. (IRS Publication 1345 sets forth detailed eligibility requirements, responsibilities, and instructions governing trading partners who offer taxpayers the option of Direct Deposit.)

The Department may deem that certain conditions require conversion of a Direct Deposit to a paper check.

The Department neither supports nor prohibits *Refund Anticipation Loans*, (RALs). The State of Nebraska is not liable for any loss suffered by any party as a result of the Department's denial of all or a portion of a refund claim request.

Form 1040N-V Payment Voucher Instructions

Taxpayers *who file electronically* may remit their tax liability by check or money order using a **Nebraska Payment Voucher, Form 1040N-V**. An ERO who files a balance due electronic return for a client taxpayer *must* provide the taxpayer with the Nebraska Form 1040N-V **unless payment is made by E-pay, EFW or Credit Card**. EROs must inform their taxpayer clients of the procedures to follow for payment of Nebraska balance due returns, and that the full amount due must be paid by **April 15, 2010** to avoid penalty and interest. **Form 2210N, Penalty for Underpayment of Estimated Tax, may still apply.** Please consider the following when remitting your client's balance due:

- Attach check or money order to the Nebraska Form 1040N-V, and mail to the Department by **April 15, 2010**.
- Pay the amount due at the time of filing, or any time through **April 15, 2010** without penalty or interest assessment.
- Unpaid tax after **April 15, 2010** will incur penalty and interest, regardless of payment method.
- A Nebraska Balance Due Notice will not be issued until after April 15, unless a payment has been made and is less than the tax amount owed, or the electronic return incorrectly indicates a refund when the Department calculates a balance due.
- Be sure all parts of Form 1040N-V are complete, including name(s), address, and social security number(s).

PLEASE REMIND YOUR CLIENTS: Do not use the Form 1040N-V Payment Voucher with paper filed returns. Use Form 1040N-V for remittance of a balance due with electronically filed returns only. When mailing Form 1040N-V, do not include a photocopy of the tax return.

E-pay System Instructions

Rules for e-pay:

You must have a valid email address to use the e-pay system. (Tax preparers may substitute their email address for the taxpayer's.) The Confirmation Number for each payment will be emailed to this email address after completion of the payment.

Procedures for e-pay:

1. Click on the Make Payment button and enter the Payment Amount, the Scheduled Payment Date, and the primary Social Security Number (SSN). Enter numbers only, no hyphens. If Married, Filing Jointly, enter your spouse's first and last name and SSN. Required fields are marked with an asterisk.
2. Enter the banking information. You must provide your bank Routing Number, your bank account number, and the type of bank account it is. Determine the date you want the payment debited and enter this as the scheduled payment date, along with the amount to be debited.
3. On the Verify Payment page, review what you have entered and make corrections if necessary.

4. When finished, click on the box accepting the "Terms and Conditions."
5. Click on "Confirm."

Payments must be initiated prior to 5:00 p.m. Central Standard Time on the due date to ensure timely. (A Scheduled Payment Date of the next business day is considered timely.) Payments can be warehoused up to one year.

If the payment being scheduled is an estimated payment, it can only be for the next tax year. Payments for a balance due can only be made for the **current** tax year.

If you do not receive a Confirmation Number on the final page, the payment has not been completed.

Electronic Funds Withdrawal Instructions

Procedures and rules for EFW include:

- For Nebraska returns, EFW is available only for filers through the IRS Federal/State Electronic Filing Program.
- If any EFW information on the return is missing or inaccurate, the request will be automatically canceled.
- The date you want the payment withdrawn from the account (Debit Date) can be any date from the date the return is filed, to **April 15, 2010**. A Debit Date specified for April 15, 2010 will be considered timely provided the return is filed on or before **April 15, 2010**. Penalty and interest will be assessed for late payments, so allow adequate time to have the payment debited.
- You must indicate the amount to be withdrawn from the taxpayer's financial institution. The Debit Amount can be more or less than the amount owed; however, if it is less, the taxpayer will be billed for any tax still owed, and if it is after the due date, penalty and interest will be applied. Any amount of \$2 or more paid over the amount due will be refunded.
- It can take the Department up to three days from the date the federal return is transmitted to complete the debit to the specified account. Timeliness is based on the specified Debit Date, not on when the funds settle.
- If the return is transmitted after the **April 15, 2010** due date, the financial institution account will be debited on the next business day following receipt of the return by the Department. Accounts will not be debited prior to the requested Debit Date.
- EFWs can be canceled any time up to two days prior to the Debit Date. To cancel an EFW, the taxpayer, or their authorized Power of Attorney, must call the Department's Taxpayer Assistance at (800) 742-7474 (if calling from Nebraska or Iowa) or (402) 471-5729. Proof of identity must be provided before an EFW can be canceled.

- It is possible that your client's return could have calculation errors that would change a balance due return into a refund return. **If your client receives a refund from the Department due to this, be sure to have them cancel their EFW.**

If you have questions on how the EFW payment option works, contact the Department's E-commerce Help Line at (800) 433-8631.

Credit Card Instructions

Procedures and rules for making tax payments by credit card include:

- Credit cards can be used as a (final) payment option for all income tax filers regardless of the method used to file their return. Paper filers can also use credit cards to pay their liability.
- Payments are currently originated through Official Payments Corporation (OPC), who provides this same service to the IRS and many other states. **The Department may approve other payment origination vendors subsequent to the release of this publication. See the Department's Web site for updates.**
- Credit cards supported include VISA, MasterCard, Discover, and American Express. OPC will charge a convenience fee of 2.49% (minimum of \$1) of the payment amount. Taxpayers are told the fee amount when making the transaction, and they have the option of canceling the transaction. This fee is paid to the credit card vendor and will appear on the taxpayer's credit card statement separately from the tax payment. Only the tax amount goes to the state.
- Payments can be made by credit card over the Internet or via telephone. **Links to all approved credit card vendors are on the Department's Web site.** If you chose to use OPC, go directly to **www.officialpayments.com**, or call **1-800-2PAY-TAX** and enter 3700 as the Nebraska Jurisdiction Code.
- The payment will be effective on the date the transaction is completed with the credit card vendor.
- A Confirmation Number is given at the completion of the transaction.
- Payments must be made on or before the due date of **April 15, 2010**, to avoid penalty and interest.
- If your client pays by credit card, later reverses the transaction, and doesn't arrange another method of payment, they could be assessed penalty and interest for nonpayment or late payment.
- Any amount paid that is \$2 or more over the amount due will be refunded.
- No credit card information is carried on the return. This transaction is strictly between OPC and the taxpayer, or the taxpayer's representative. Any disputes specific to the card payment are strictly between the credit card vendor and the taxpayer.

Chapter 6

NEBRASKA FORM 8453N

Instructions for Completing Form 8453N

The Nebraska Form 8453N is only used when the ERO needs to mail state forms and other documentation for an e-filed return to the Department. These are forms and documents that are required to substantiate the state return, are not included in the electronic return, and must be mailed to the Department. It is recommended that the Form 8453N be mailed as soon as the Nebraska Acknowledgment has been received indicating the return was accepted, and must be mailed within 15 working days of the date of state acknowledgment, or the credit will be denied. (See Chapter 3.)

The Nebraska Form 8453N contains checkboxes to identify which forms or documents are attached to it, similar to the federal Form 8453. Form 8453N does not need to be signed by the taxpayer. These documents and forms will be given priority processing, and in most cases, will be processed much faster than if the entire return had been submitted on paper.

If a return requires forms or documents to be mailed:

1. Complete the taxpayer SSN, Name and Address. Enter the SSN(s), name(s), and address information as they appear in the electronic Forms 1040N or 1040NS. The Department's official mailing label is not required.
2. Complete the IRS Declaration Control Number (DCN). Enter the DCN in the appropriate boxes at the top left-hand portion of Form 8453N.
3. Attach required forms and documents to Form 8453N, check their corresponding box(es), and attach all state copies of Forms W-2, W-2G, 1099-MISC, and 1099R. Mail Form 8453N with attachments to:

**Nebraska Department of Revenue
P.O. Box 98911
Lincoln, NE 68509-8911**

If there are no required forms to be mailed, no Form 8453N is required. In this case, retain the state copies of Forms W-2, W-2G, 1099-MISC, 1099R, and all other related state documentation for a period of three years from the due date.

Chapter 7

NEBRASKA SIGNATURE POLICY

Nebraska's signature policy for returns filed through the Federal/State E-file program requires that the federal PIN selected for the taxpayer's federal return be included in the Nebraska electronic record. State-Only practitioner returns should contain a PIN if one is available. The only exception is when the return is a "true" State-Only return (where no federal return was filed by that software.) In these exception cases, the act of e-filing serves as signature. Re-submitted rejected State-Only returns, and State-Only returns where the "piggy-back" state return was for another state, should contain the federal PIN in the state record.

Returns filed through the Department's Internet-based NebFile program will require a state-assigned PIN. The taxpayer's state-assigned PIN is provided in tax booklets and postcards mailed to the taxpayer, but can otherwise be found through an online lookup service provided through the NebFile system. If the taxpayer is a first-time filer with the Department, a PIN is assigned to the taxpayer by the NebFile system during the log-in after the filer provides registration information. There is no prohibition for EROs using the NebFile system to file their client's state return.

Chapter 8

RESPONSIBILITIES OF PARTICIPANTS

Electronic Filers (Transmitters and EROs) must abide by the terms established in this handbook and must maintain a high degree of integrity, compliance, and accuracy in order to continue to participate in the Nebraska portion of the Federal/State E-File Program. They must also abide by all of the following requirements.

Compliance, Monitoring and Suspension

All electronic filers must comply with the requirements and specifications set forth in IRS *Publications 1345 and 1346*, and in this handbook. All tax information must be kept confidential.

The Department may monitor an ERO for conformity with this publication. The Department can immediately suspend, without notice, an ERO from the electronic filing program.

If the IRS suspends an ERO, they are automatically suspended from the Nebraska electronic filing program.

Monitoring will include random sampling of Form 8453N signature documents and all associated documentation for compliance.

Timeliness of Filing

Transmitters must ensure that electronic returns are filed in a timely manner. The date of the IRS Acknowledgment will be considered the filing date for a Nebraska return transmitted electronically.

Transmitters must provide the Nebraska Acknowledgment to the ERO in a timely manner. The state acknowledgment should be received by the ERO before considering the state return received.

Filing Deadline

The Department will accept electronically filed Nebraska returns, which have been submitted to the IRS through the IRS extension period. Any returns not re-transmitted and accepted before the IRS system is closed must be filed as paper documents.

ERO Responsibility to Clients

EROs have been entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring that the return arrives at the Department. In the event that the ERO does not receive a Nebraska Acknowledgment, the ERO must notify their client to file a paper return.

Changing Tax Returns

If the ERO or taxpayer wishes to make any changes after the return has been acknowledged as accepted by the state, the taxpayer must file an amended return, Nebraska Form 1040XN, through the paper document filing process. **Amended returns cannot be submitted electronically.** Nebraska amended returns must be mailed to the following address:

Nebraska Department of Revenue
P.O. Box 98911
Lincoln, Nebraska 68509-8911

Chapter 9

DEPARTMENT CONTACTS

Nebraska Contacts

ELECTRONIC FILING COORDINATION

(402) 471-5619 or (402) 471-5785

General Contact, State Record Layouts & Software Guidelines,
Electronic Return Error Resolution,
Direct Deposit / Electronic Funds Withdrawal Error Resolution,
Software Developer Approval

NEBRASKA TAXPAYER ASSISTANCE HELP LINE

If calling from Nebraska or Iowa

(800) 742-7474

If calling from outside of Nebraska or Iowa

(402) 471-5729

Tax Preparation Assistance and Status of Refunds

NEBRASKA DEPARTMENT OF REVENUE WEB SITE

<http://www.revenue.ne.gov>

ELECTRONIC COMMERCE SECTION MAILING ADDRESS

Nebraska Department of Revenue
c/o Electronic Commerce Section
P. O. Box 94650
Lincoln, NE 68509-4650

Using the Nebraska Web Site

Please note that the Nebraska Department of Revenue has designed our Web site to provide additional information to individual taxpayers, software developers, and tax preparers. As an ERO or software developer, you should take advantage of the opportunity to find useful information about the Department in general and about the Nebraska e-file program specifically.

If you are an ERO, go to www.revenue.ne.gov to find information about our e-file program, and to download or read useful forms, files, and publications. Also, from our site software developers can download necessary files and publications, including Forms 8453N, 1040N-V, Publication 1346N (Nebraska file specifications), Nebraska Reject Code Listing, and Publication 1436N (Nebraska Test Package).

NEBRASKA ELECTRONIC FILER CHECK LIST -- DID YOU REMEMBER TO DO THE FOLLOWING?

- ☐ Double check to see if forms needed and lines used are eligible for electronic filing. If not, prepare a Form 8453N, attach required forms, and mail to the Department.
- ☐ Make sure name(s), address(es), and social security number(s) are correct.
- ☐ Verify that SSN, High School District Code, and Name and Address are correctly entered.
- ☐ Retain all state copies of federal and state forms, withholding, and other documents for a period of three years unless otherwise instructed to mail in to the Department.
- ☐ Verify the accuracy of Routing Transit Number and Account Number for Direct Deposit and Electronic Funds Withdrawal returns.
- ☐ Verify that your name (or ERO company name) and telephone number have been completely and accurately entered.
- ☐ Use only whole dollar amounts in the electronic return.
- ☐ Give the taxpayer copies of all forms that apply to them.
- ☐ Verify receipt and results of the IRS Acknowledgment.
- ☐ Verify receipt and results of the Nebraska Acknowledgment.